

BEFORE THE FEDERAL ELECTION COMMISSION

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In the Matter of)

Walt Roberts for Congress)
and Chris Clark, as treasurer)

MUR 4818
MUR 4933

Walt Roberts)

The Honorable Gene Stipe)

The Stipe Law Firm)

Charlene Spears, *et al*)

SENSITIVE

GENERAL COUNSEL'S REPORT #6

I. ACTIONS RECOMMENDED: Find probable cause to believe that Walt Roberts, Walt Roberts for Congress, the Honorable Gene Stipe, the Stipe Law Firm, and Charlene Spears knowingly and willfully violated the statute and refer the violations to the United States Department of Justice.

II. BACKGROUND

MUR 4818 arose from a complaint filed by the entire Oklahoma Republican congressional delegation alleging that Walt Roberts and Walt Roberts for Congress ("Roberts campaign" or "Committee") knowingly and willfully violated 2 U.S.C. § 441a(f) through a bogus cattle transaction and art auction. MUR 4933 arose from a referral from the Reports Analysis Division, involving a \$50,000 loan that the candidate claimed was from "personal funds."

At nearly every turn of this Office's investigation, we discovered additional violations, most of which implicated longtime Oklahoma state senator Gene Stipe. For example, the Roberts campaign accepted excessive contributions totaling at least \$348,380, of which at least \$190,380 came from Stipe personally; the remainder came from Stipe's law firm (\$16,000), Stipe's brother Francis (\$50,000), Jim Smart, former local party co-chair (\$14,500), and from

1 others (\$77,500).¹ Stipe and the others gave most of the funds to Roberts, who deposited the
2 funds into his joint personal/business account and then immediately transferred them to his
3 campaign account. The Roberts campaign reported most of these contributions as loans from the
4 candidate's "personal funds," or did not disclose them at all. Frequently, the funds were
5 provided to Roberts just in time to meet specific campaign needs, such as media and direct mail.
6 Other funds were funneled through other people, including for instance, Jim E. Lane, a Roberts
7 campaign advisor; Stipe's real estate partner Louise Crosslin; Stipe Law Firm secretaries; Stipe's
8 close friend and political ally, William Layden, and Layden's defunct lending corporation.

9 The General Counsel's Briefs ("GC Brief(s)"), incorporated herein by reference, describe
10 how Roberts, Stipe and others fabricated transactions to disguise the true source of the funds
11 injected into the campaign.² For example, Roberts, Stipe and others claim that the funds were
12 generated from a cattle sale, an option contract, advertising services, a land sale, personal loan,
13 and an auction. However, as explained fully in the GC Briefs, the Respondents' claims are not
14 credible either because there is a lack of documentation to support them, the documentation
15 presented appears to have been hurriedly created or presented to justify the payments, or the
16 explanations about the payments conflict.

17 Nothing in the Reply Briefs (Attachments 1-4) alters this Office's analyses of the
18 transactions at issue. Stipe and Roberts continue to assert that the funds that flowed from Stipe
19 to Roberts and his campaign were for bona fide business or personal transactions unrelated to the

¹ Because Roberts' Reply Brief contains only a cursory discussion of the \$50,000 provided by Francis Stipe and the \$14,500 from Smart, this Report does not discuss them. Those transactions are discussed and analyzed fully in the GC Brief for Roberts.

² The GC Briefs were sent to Roberts, the Roberts campaign and Chris Clark, as treasurer, Stipe and the Stipe Law Firm on July 12, 2001; on August 6, 2001, a GC Brief was sent to Charlene Spears, Stipe's assistant.

1 campaign, but they have not provided any additional documentation to support their assertions.
2 Indeed, Stipe's response that documentation of the transactions was unnecessary because he and
3 Roberts were friends is belied by his and Roberts' claim to have entered into a five-page option
4 contract for one of the transactions. Lacking independent and credible support for his version of
5 events, Stipe relies mostly on his and Roberts' testimony and that of other respondents or persons
6 implicated in the schemes. As stated in Stipe's GC Brief and herein, this Office does not find
7 these stories credible.

8 This Office recommends that the Commission find probable cause to believe that Stipe,
9 Roberts, and Spears knowingly and willfully violated the Act. Moreover, given the seriousness,
10 extent and scope of these violations, this Office believes that these violations should be referred
11 to the United States Department of Justice ("DOJ"). Finally, as explained below, it appears that
12 the scheme is larger than previously believed. Because fully investigating these additional
13 apparent violations would delay referral to DOJ, this Office does not make any recommendations
14 regarding these additional fact patterns and individuals.³

15 **III. DISCUSSION OF REPLY BRIEFS.**

16 **A. Alleged Cattle Sale**

17 In early August 1998, just prior to the primary election, Stipe gave Roberts \$67,500
18 which was immediately used to fund the Roberts campaign's first major media purchase. *See*
19 GCR #2, dated April 14, 2000, at Attachment 1 at p. 24. Roberts reported the \$67,500 as a loan
20 from his personal funds. The local press, however, repeatedly questioned him about where he
21 obtained the \$67,500 to loan his campaign. *See* GC Brief for Roberts at p. 20. Roberts claimed

³ This Office anticipates that DOJ will investigate these additional apparent violations.

1 that the funds were proceeds from the sale of cattle but refused to identify the purchaser or
2 provide the press with any details related to the alleged transaction. *Id.*

3 The investigation revealed that the \$67,500 came from Stipe; that Roberts owned no
4 cattle at the time of the alleged sale; and that neither Roberts nor Stipe could provide any
5 contemporaneous documentation that Stipe's \$67,500 had anything to do with a cattle
6 transaction. In response to the Commission's subpoenas, Stipe claimed he rejected the cattle
7 because they were a breed (longhorns) not compatible with other livestock at his ranch and
8 produced a check demonstrating that Roberts refunded the \$67,500 in September 1998. Stipe
9 later acknowledged during his deposition that he never received any cattle for the \$67,500 he
10 paid Roberts. Stipes Depo. at pp. 221-225. Both Roberts and Stipe contend that Roberts spent
11 the \$67,500 on the campaign without Stipe's knowledge.

12 During the course of this investigation it was learned that an actual cattle sale involving
13 Roberts and Stipe did take place. This sale occurred almost a month after the alleged sale of
14 early August 1998, after Roberts' attempts to explain the basis for the \$67,500 loan had become
15 a campaign issue. In this separate transaction, Roberts arranged for Stipe to purchase assorted
16 cattle from sellers in Texas for an additional \$60,900, which were delivered to Stipe's ranch in
17 early September 1998. Both Stipe and Roberts claim that Stipe did not know in advance that
18 Roberts used this \$60,900 in Stipe's funds to pay for these cattle. Stipe claimed Spears, without
19 his knowledge, withdrew the funds from one of his accounts in the form of two cashier's checks:
20 one for \$40,900, the other for \$20,000. These checks are discussed further below.

21 In his Reply Brief, Stipe continues to deny knowing that Roberts intended to use the
22 initial \$67,500 for his campaign. Stipe also claims to have no prior knowledge of the later cattle
23 purchases that cost him an additional \$60,900. But Stipe's Reply Brief fails to offer credible

1 arguments to counter the evidence of Stipe's involvement in both transactions set forth in the GC
2 Brief.

3 First, Stipe does not deny that he was involved in the campaign and that at the time he
4 gave Roberts the \$67,500 he was aware that Roberts's campaign had just filmed its first
5 advertisements and was in need of funds to purchase its first major media buy. Nor does Stipe
6 deny that he was the intended recipient of a memorandum from Roberts' media vendor several
7 days after the first media buy, detailing exactly how his \$67,500 was spent on the campaign. *See*
8 Attachment 7 at pp. 1-13.

9 Second, Stipe fails to rebut evidence that he played a role in the \$60,900 cattle purchase
10 in late August 1998 that was undertaken in response to negative press about the earlier alleged
11 cattle sale that Roberts claimed yielded him \$67,500. Specifically, Stipe endorsed both of the
12 cashier's checks for the \$60,900 in cattle purchases that actually took place.⁴ Attachment 7 at
13 pp. 15-16. In his Reply Brief, Stipe does not deny that he endorsed the checks. Instead, the
14 Reply Brief states: "it is clear that [Stipe's assistant] Spears routinely signs his name to checks
15
16

⁴ Stipe contends that there were two sales, one for \$40,900 and the other for \$20,000. Attachment 1 at p. 25. However, this Office independently discovered that Charles Dooley from Texas sold cattle to Roberts for \$40,900, none of which were longhorns. *Id.* at fn. 2. Regarding the other \$20,000, Stipe repeatedly provided this Office with inaccurate information about who sold the cattle. Stipe, through counsel, identified the seller as Jim Currie, who he represented was the President of the Texas Longhorn Association. The telephone number provided by counsel, however, was for the Texas & Southwestern Cattle Raisers Association, whose representatives informed us that Jim Currie was never president and they did not have any information regarding the \$20,000 sale. The Reply Brief again claimed that Jim Currie, the alleged president of the Texas Longhorn Association, sold the cattle, mistakenly citing Mr. Roberts' deposition as the source of the information. Attachment 1 at p. 25. After Stipe submitted his Reply Brief, this Office again contacted counsel to give him another opportunity to identify who sold the cattle. On September 24, Stipe submitted the attached letter indicating that Don King, Executive Director of the Texas Longhorn Breeders Association, sold Stipe twenty longhorn cattle for \$20,000. Attachment 6. The letter indicates that the cattle were not shipped until on or about September 2, 1998. This Office contacted Mr. King on September 25, and confirmed this information.

1 and other documents.” Attachment 1 at p. 29.⁵

2 Third, Stipe’s Reply Brief fails to explain the inconsistencies in his sworn statements that
3 seriously undermine his credibility. In his sworn written response submitted in December 1999,
4 Stipe asserted that he demanded that Roberts refund the \$67,500 because the cattle were
5 longhorns, and never indicated that he was aware that Roberts used the funds on the campaign.
6 See GC Brief for Stipe at p. 21. During his deposition, however, Stipe testified inconsistently on
7 this issue. At one point he claimed that he did not know that Roberts used the \$67,500 on his
8 campaign until after the investigation began in late 1999. Stipe Depo. at pp. 223-225. At
9 another point, when Stipe was asked if he knew how Roberts spent the \$67,500 during the
10 campaign he replied, “[L]et me just think back here. I, yeah-I did.” Stipe Depo. at p. 226. When
11 asked, “You did know?” he reiterated, “Uh-huh. Uh-huh, I sure did. It was shortly before he
12 [Roberts] paid me back” which was in September of 1998.⁶ *Id.*

13 Roberts admits that he used the \$67,500 on his campaign, but claims he did not know it
14 violated election law. Attachment 2 at p. 4. Yet Roberts testified that he knew of the \$1,000
15 contribution limitation per election. See GC Brief for Roberts at p. 22. And as the GC Brief for
16 Roberts discusses at length, he went through various efforts to conceal the true source of these
17 funds.

⁵ Copies of these checks were ultimately submitted by Stipe on May 25, 2001. Because Stipe did not produce the cashier’s checks until after his deposition, this Office did not have the opportunity to question him directly about the signatures at that time. After receiving Stipe’s Reply Brief, this Office called to ask if he was representing that he did not endorse the cashier’s checks. Counsel for Stipe informed this Office that he would not make any representations to that effect and was “going with what was said in the Reply Brief.”

⁶ During the testimony the following day, Stipe attempted again to back away from that admission. Stipe Depo. at p. 350.

B. Alleged Option Contract

The respondents claim that \$70,000 Stipe gave to Roberts in the midst of the campaign, as well as payments for Roberts' living expenses, were part of an art option contract giving Stipe a one-half interest in Roberts' sculptures. GCR #2, dated April 14, 2000, at Attachment 1 at p. 36. Roberts immediately used \$55,000 of that amount on his campaign, but never disclosed it on his campaign reports. *See* GC Brief for Roberts at p. 30. The GC Brief points to evidence that the alleged art option contract is not legitimate and that it was likely created as a funding device for the campaign. GC Brief for Stipe at pp. 26-30.

The alleged option contract provides that Stipe will pay Roberts \$1,000 upon signing and will provide written notice of intent to exercise the option. Attachment 7 at pp. 18 and 19. Stipe and Roberts claim that the alleged agreement was entered in December 1997, several months before Roberts began his Congressional campaign, and that the option was exercised in August 1998, when Stipe paid Roberts \$70,000. But neither Stipe nor Roberts could produce any evidence that the \$1,000 was paid or that Stipe provided Roberts with written notice of his intent to exercise the option.

Moreover, although the alleged agreement gave Stipe a one-half interest in all of Roberts' existing and future sculptures, Roberts never gave Stipe any proceeds from his sales of sculptures. Attachment 7 at p. 19. Stipe's Reply Brief fails to credibly explain why he never took steps to obtain his share of the proceeds from Roberts, and why Stipe nonetheless continued to give Roberts \$3,500 a month. Stipe and Roberts assert that there was a dispute about the terms of the alleged agreement, with Roberts claiming that he believed that the agreement only applied to sculptures created in the future. Attachment 1 at pp. 38-39. Yet the agreement explicitly states that it covered "all existing pieces, any work in progress and all future art work."

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1 Attachment 7 at p. 19. Roberts claims that he never read the alleged contract prior to his
2 deposition in January 2001. Upon reading the document at his deposition, Roberts readily
3 admitted that Stipe had an interest in all the sculptures. Roberts Depo. at pp. 436-444. If there
4 were a genuine dispute, surely Roberts would have at least read the contract.

5 Stipe admits that he took no action to settle the alleged dispute, asserting: "Lifelong
6 friends do not instantly sue each other when a dispute arises between them." Attachment 1 at
7 p. 39. But this assertion does not explain why Stipe did not avail himself of other means to settle
8 this disagreement. For example, Stipe could have rescinded the alleged agreement (as he claims
9 to have done for the alleged cattle transaction promptly upon discovering they were longhorns);
10 he could have discontinued paying all of Roberts' personal expenses, totaling \$3,500 per month,
11 purportedly pursuant to the alleged option contract; or he could have reduced the amount he did
12 pay Roberts to cover the amount owed to him.

13 In short, the Reply Brief does not provide any facts or argument to refute the analysis in
14 the GC Brief on this issue.

15 **C. Stipe's Payment of Roberts' Personal Expenses**

16 Stipe admits that he also paid Roberts' personal expenses in 1998, totaling \$37,070.
17 Attachment 1 at p. 40. He argues that these payments do not constitute a violation because the
18 funds were not used directly on the campaign. *Id.* at p. 41. However, third-party payments of
19 personal expenses of a candidate are contributions unless the payment would have been made
20 irrespective of the candidacy, *see* 11 C.F.R. § 113.1(g)(6), and Stipe did not provide Roberts with
21 funds or pay his personal expenses in the ten years prior to the 1998 election. GC Brief for Stipe
22 at p. 32. Moreover, Stipe's Reply Brief is devoid of any facts that might support his blanket

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1 claim of a lifelong pattern of support.⁷ Attachment 1 at pp. 40-42. In addition, Roberts had
2 asserted that Stipe was paying his expenses during 1998 pursuant to the option contract (see
3 Section III. E., infra), not as part of an ongoing pattern of support. Roberts Depo. at p. 406.
4 Stipe, however, fails to explain this contradiction to his own version of events.

5 **D. \$17,000 Payment for Alleged Advertising Services**

6 Stipe issued a \$17,000 Stipe Law Firm check to Roberts on August 17, 1998. Roberts
7 immediately used the funds for a campaign loan just prior to the primary election. GCR #2,
8 dated April 14, 2000, Attachment 1 at pp. 62-63. Stipe and Roberts claim that the \$17,000 was
9 for radio and television advertising services and public relations work for the Stipe Law Firm.
10 But they have still not produced a single document showing that such services were ever
11 provided (other than the check itself and a tax form for the payment). To support the assertion
12 that such services were provided, Stipe's Reply Brief relies only on his own testimony, and that
13 of Roberts. Attachment 1 at pp. 30-31. This Office does not find that testimony credible. Stipe
14 and Roberts claim that part of the \$17,000 was supposed to be for future services, but that
15 Roberts failed to provide such services. This claim appears to be an attempt for Roberts to take
16 the blame to protect Stipe. In that way, this claim resembles the stories the respondents offer
17 about the cattle sale and the disagreement about the terms of the option contract.

18 **E. Art Auction**

19 The GC Brief highlights the following factors that lead this Office to conclude that the art
20 auction held in September 1998 was not bona fide: (i) two purchasers acknowledged that the
21 purpose of the auction was to raise funds for the Roberts campaign; (ii) Stipe himself funded the

⁷ Indeed the documentation he provided to support this assertion showed only that he paid some of Roberts' education costs in 1988, ten years prior to the Congressional campaign at issue. GC Brief for Stipe, at pp. 31-32.

1 largest purchases, totaling \$35,250, through his real estate partner, Crosslin; and (iii) the 1998
2 auction was an isolated burst of sales, and Roberts was unable to document any sales after that
3 auction. GC Brief for Roberts at p. 44-45; Attachment 7 at p. 22. Roberts has admitted that he
4 held the auction to repay Stipe the \$67,000 that he had reported as a candidate loan. GC Brief for
5 Stipe at p. 33.

6 The Reply Briefs fail to present any facts to alter the conclusion that the auction was not
7 bona fide. Stipe claims that he had nothing to do with the auction, pointing out that he did not
8 attend. Attachment 1 at p. 43.⁸ However, Crosslin, his brother Francis, his attorney Larry Oliver,
9 and his employees did attend, and most of them made the largest purchases.

10 Stipe asserts that the funds he provided to Crosslin on the day of the auction were for
11 expenses related to his real estate partnership with her. The check totaled \$45,250, \$10,000 more
12 than Crosslin's art purchases.⁹ It was issued to "Greenwood Estates," one of Stipe's real estate
13 partnerships with Crosslin. Stipe's Reply Brief includes documents in support of his claim that
14 there was such a partnership and that at times he made payments to Crosslin. Attachment 1 at
15 pp. 68-82. Yet, despite repeated requests throughout the course of the investigation, neither
16 Stipe nor Crosslin has produced any documentation related to the alleged expenses.

17 The GC Brief concludes that the funds raised at the auction and used to repay Stipe the
18 \$67,500 he gave to Roberts in early August 1998 were an impermissible contribution to the
19 Roberts campaign. *See* GC Brief for Stipe, pp. 41-42. *See* 11 C.F.R. § 110.1(b) (payment of a

⁸ It is understandable that Stipe would not attend the auction because at the time, news articles were portraying Stipe as Roberts' puppeteer. Attachment 5.

⁹ It is unclear whether the extra \$10,000 was used to finance another sculpture sale at the auction. Interestingly, the identity of the purchaser of a \$10,000 item is still unknown. Roberts' attorney, Michael Blessington, asserts that he purchased the item for \$10,000 for a client, but refuses to disclose the identity of that client.

1 campaign debt is a contribution). Stipe claims that the GC Brief counts the same \$67,500 twice
2 for purposes of calculating the violation. Attachment 1 at p. 43. But these were different funds
3 and a different transaction from the \$67,500 that went directly into the campaign and were spent
4 on media in early August. In short, neither Stipe nor Roberts has presented any facts or
5 arguments that credibly rebut the conclusion that the auction was not bona fide.

6 **F. Reimbursed Contributions**

7 Stipe admits that his cash, totaling \$8,790, funded reimbursements to Stipe Law Firm
8 staff for contributions to the Roberts campaign. Stipe claims that his assistant, Spears, used his
9 cash for the reimbursements, and that he was not aware of it until this investigation began. In
10 claiming that he had no knowledge about this reimbursement scheme, Stipe points only to his
11 own testimony and that of his long-term secretary and personal assistant Spears. Attachment 1 at
12 pp. 45-46. As discussed in the GC Brief, given Stipe's involvement in the many transactions at
13 issue in this matter and his key role in the campaign, his denials are not credible.¹⁰ Similarly,
14 Roberts' denial of his acceptance of these reimbursed contributions is not credible. Attachment 2
15 at p. 8.

16 **G. \$20,500 from Lane/Stipe**

17 Roberts claims that in April 1998, he received \$20,500 from longtime Stipe friend and
18 ally, Jim Lane. GCR # 2, dated April 14, 2000, at Attachment 1 at p. 67. Roberts claims that
19 Lane purchased his trailer for \$20,500. The GC Brief points to various factors that show that the

¹⁰ Stipe disputes the part of the GC Brief that discusses his inability to provide the name of any person he had given funds to and states that he and Spears provided numerous names of recipients. Attachment 1 at p. 46. Specifically, he points to pages of his deposition transcript. However, as the only person he identified was a former neighbor whom he allegedly gave funds to ten years earlier. Stipe Depo. at pp. 304-308. He also points to Spear's testimony, at pp. 399-400. Spears identified three individuals: Bob Brown, Hamp Anderson and Helen Robinson to whom Stipe loaned money. But those transactions were loans, not funds given away and not kept track of in any way, as they claim was routinely done with thousands of dollars of Stipe's cash.

1 trailer sale was not legitimate: (i) a lack of any documentation for the sale; (ii) Roberts'
2 admission that Lane bought the trailer to aid his campaign; (iii) the trailer for which Lane
3 allegedly paid \$20,500 cost Roberts \$6,500 a year earlier; (iv) Lane never took possession of the
4 trailer; (v) a lack of credible testimony regarding the alleged rescission of the alleged trailer sale;
5 and (vi) the alleged trade of the trailer for sculptures, most of which Roberts never provided to
6 Lane. See GC Brief for Roberts at pp. 11-14. In his Reply Brief, Roberts contends that the sale
7 was bona fide, but offers nothing new to support his contention. Attachment 2 at pp. 3-4.

8 The investigation revealed that Stipe was the source of \$20,000 of Lane's \$20,500
9 payment. Attachment 7 at pp. 24-25. Stipe does not deny he gave Lane the \$20,000, but claims,
10 as he did at his deposition, that it was for the purchase of land. Stipe, Lane and Roberts claimed
11 that Stipe did not know that Lane gave the \$20,000 to Roberts. Stipe Reply Brief at p. 15. Given
12 the close relationships between Stipe, Roberts and Lane, that they were all involved in the
13 Roberts campaign, and their involvement in many other questionable transactions in this matter,
14 their testimony is not credible.

15 Stipe claims that he paid \$20,000 to Lane in April of 1998 as one in a series of payments
16 for his purchase of Lane's one-half interest in land owned by a corporation (Bivco) in which he
17 and Lane were joint owners. The June 1997 deed Stipe produced to support his claim, however,
18 does not correspond with the terms of the agreement. The deed showed that Bivco, not Lane,
19 conveyed the land to Stipe. Nothing ties Stipe's \$20,000 payment in April 1998 to the June 1997
20 deed. Moreover, in his financial records, Stipe treated this \$20,000 as one in a series of "loans".
21 to Lane. Attachment 7 at pp. 33-34. It was not until after the investigation in this matter began
22 that Stipe had the payments re-characterized as payments for the sale of land. A December 1999

1 memo states that this was an adjustment made “[p]er Gene [Stipe].” Attachment 7 at p. 36.¹¹ In
2 addition, none of the numerous checks that Stipe issued to Lane throughout 1998 indicate that
3 they were part of any payment plan for the sale of land.¹²

4 The GC Brief for Stipe points out that Lane’s own testimony conflicted regarding the
5 payment of the land. GC Brief for Stipe at p. 15. Stipe argues that Lane’s testimony was
6 consistent and asserts that the GC Brief is misleading on this point. Attachment 1 at p. 20. He
7 claims that Lane “never testified that the April 1998 payment from Sen. Stipe was the down
8 payment.” Attachment 1 at p. 20 (emphasis in original). Here, Stipe ignores Lane’s initial
9 testimony about the alleged sale, where he said:

10 I had a piece of land that I was selling. I said if I got it sold, I would buy it [the
11 trailer]. And I got it [the land] sold and I bought it [the trailer] ... I already had an
12 agreement to buy it, and they were supposed to pay me a down payment on it at that
13 time.

14
15 Lane Depo. at pp. 96-97 (emphasis added).

16 **H. Use of Law Firm Facilities**

17 The GC Brief points out that although the campaign’s operations began in February,
18 1998, the campaign did not pay for office space until mid-April, 1998, and that the Stipe Law

¹¹ When those payments were re-characterized in 1999, they explicitly included a \$16,000 balance owed as of January 1, 1997. *Id.* This raised serious questions about Stipe’s claim that the sale first occurred in June 1997 when the deed was executed. In an apparent attempt to diminish this inconsistency, Stipe now claims that the \$16,000 was not related to the sale of the land. Attachment 1 at p. 17, fn. 1.

¹² The checks that Stipe and Lane claim were for the land were issued as follows: \$3,500 on September 1; \$9,500, \$2,490, \$2,490 on September 3, 1998; \$5,000 on October 6, 1998; and \$5,000 on October 12, 1998. Attachment 7 at pp. 27-32. The \$5,000 check dated October 12, 1998, though barely legible, states that it is for “88” followed by a five letter word beginning with the letter “M.” *Id.* at p. 27. The check ledger states that it was for “88M-Supid [sic?] personal.” *Id.* at p. 34. Thus, the only notations on any of the checks and the check ledger do not support the respondents’ contention that these payments were for the sale of land.

Given Lane’s role in the Roberts’ campaign, the timing of these payments and reports of other contributions received, this Office believes that they may be related to the Roberts campaign. In the hope of referring this matter to DOJ expeditiously, however, this Office did not seek further information about these payments.

1 Firm's fax machine, copy machines, computers and video equipment were used during the
2 campaign. Stipe and the Stipe Law Firm do not deny that the campaign used the facilities, but
3 attempt to minimize the extent of the use and claim that the Brief's assertions are unsupported,
4 citing to Stipe's testimony trying to distance his office from the campaign. Attachment 1, at
5 pp. 32-33. As the GC Brief noted, the campaign reported a payment to former campaign staff
6 member Ryan Hawkins for "office managing" in March, 1998, more than one month prior to the
7 campaign's payments for office space. GC Brief for Stipe, at p. 6, fn. 2. Consistently, Ryan
8 Hawkins and consultant Roger Lee informed this Office that the Roberts campaign used the Stipe
9 Law Firm's office and office equipment and operated out of the Stipe Law Firm's office until it
10 opened its headquarters; Roberts' consultants provided documents showing that the Stipe Law
11 Firm's fax machine transmitted campaign documents to Washington, D.C. Attachment 7 at
12 pp. 40-51.¹³ However, the Roberts campaign never paid the Stipe Law Firm for such facilities,
13 resulting in an in-kind contribution.

14 **I. Charlene Spears**

15 The GC Brief to Spears details her role in reimbursing contributions, totaling \$8,790,
16 made to the Roberts campaign. Spears admits the violation, but claims that it was not knowing
17 and willful. GC Brief for Spears at pp. 4-7; Attachment 3 at pp. 4-5. The GC Brief points to
18 Spears' testimony that she knew that there were limitations on contributions to federal
19 candidates, that she had given all she could, and that somebody from the campaign told her she
20 could not give any more. See GC Brief for Spears at pp. 12-13, citing Spears deposition at pp.

¹³ Thus, contrary to Stipe's claim, Attachment 1, p. 32, this extensive facilities and equipment use, providing crucial subsidy to the Roberts' campaign, finds no protection as employees' "occasional, isolated or incidental" use of corporate facilities under 11 C.F.R. § 114.9(a), assuming this regulation applies by analogy to facilities of an unincorporated LLC law firm, see AO 1979-22.

1 419 and 494. Indeed, Spears testified that she arranged the contributions in the names of others
2 to avoid the limitations. *Id.* Spears raised contributions for many years in the state of Oklahoma,
3 which also limits contribution amounts. GC Brief for Spears at p 13. fn. 6. Yet Spears claims
4 that she did not know that she was violating a specific statute. Attachment 3 at p. 5. A knowing
5 and willful violation does not require showing specific knowledge of the regulation, but only that
6 the conduct was illegal. *United States v. Hopkins*, 916 F.2d 207, 213 (5th Cir. 1990).¹⁴
7 Therefore, the evidence amply supports knowing and willful violations by Spears.

8 **IV. DISCUSSION OF RECOMMENDED DISPOSITION**

9 The investigation uncovered a scheme through which Stipe, Spears and Francis Stipe,
10 along with others, funneled funds into the campaign account of Roberts. To achieve this illegal
11 financing, Stipe and Roberts relied on employees, family, political allies and others, fabricating
12 various transactions to make the payments appear legitimate. When the investigation began,
13 Roberts and Stipe submitted misleading sworn statements. After this Office uncovered facts
14 that conflicted with those statements, they changed their stories, but continued to fabricate. The
15 known amount in violation at issue is close to \$350,000. Accordingly, this Office recommends
16 that the Commission find probable cause to believe that Walt Roberts for Congress knowingly
17 and willfully violated 2 U.S.C. §§ 434(b), 441a(f), 441f, and 432(h), that Walt Roberts
18 knowingly and willfully violated 2 U.S.C. §§ 441a(f), 441f and 432(h), that Gene Stipe and the
19 Stipe Law Firm knowingly and willfully violated 2 U.S.C. §§ 441f and 441a(a)(1)(A), and that
20 Charlene Spears knowingly and willfully violated 2 U.S.C. § 441f.

¹⁴ This Office has attached Spears' "amendment" to her deposition testimony, discussed at page 8 of the GC Brief. Attachment 7 at pp. 52-57.

During the investigation, the scheme appeared larger at every turn. Many of the persons involved are not respondents in this matter, as their involvement only came to light during the course of this complex and multi-faceted investigation. For instance, Stipe's brother, Francis Stipe, actually financed the \$50,000 loan that was funneled through William Layden and funded the campaign. *See* Roberts' GC brief pp. 37-42. Francis also gave \$10,250 to Roberts, allegedly for the sculpture at the art auction. *See* Roberts' GC brief p. 44 and Stipe's GC brief, p. 36, note 39. Smart appears to have made excessive contributions to the Roberts campaign, and Lane, among others, participated in the schemes.¹⁵ Stipe's real estate partner, Crosslin, used Stipe's funds to purchase sculptures at that auction. *See* Stipe's GC brief pp. 33-36. Indeed, many if not all of the purchasers of the sculptures at the September 1998 auction, which yielded almost \$150,000, were associates or friends of Stipe. *See* Stipe's GC brief p. 33. Roberts' attorney, Mike Blessington, has acknowledged he used \$10,000 of someone else's funds to purchase a sculpture, but he refuses to identify that person. *See* fn. 9. It is not clear how many purchasers received their funding and/or some other benefit from Stipe.¹⁶

FEC investigators also discovered evidence that a Stipe Law Firm attorney, Mark Thetford, assisted in the making of a contribution to the Roberts campaign in the name of one of the five initial conduits. In addition, the investigators discovered that people in relationships and

¹⁵ As discussed in Roberts' GC Brief at fn. 9 and Stipe's GC Brief at fn. 9, Smart, who owns a chain of nursing homes, was convicted of bribery in October 2000 in connection with payments he made to a state health inspector. Lane, who was formerly an employee of the state health department, was criminally prosecuted for allegedly acting as a "ghost employee," i.e., not providing services to the state while on the payroll. Attachment 8, and on May 1, 2002, he pled guilty to conspiring to defraud the state while employed by the Oklahoma Health Department. Attachment 9. Consistent with those charges, Lane testified that he drove Roberts to campaign events around the state while he receiving compensation from the state health department (though he claimed it was only when he had work-related business in those areas). *See* Lane deposition at pp. 49-50.

¹⁶ In one instance, a purchaser (Tom Summers) failed to provide documents that might show the source of the funds and stated that he may have borrowed the funds from someone; in another instance a purchaser (Howard McClanahan) produced documents that raised more questions.

62-01-000-1039

24-01-403-1040

1 residing in the same places as two of the admitted conduits made contributions to the Roberts
2 campaign on the same dates. (While conducting interviews of those conduits, the investigators
3 attempted to ask them about these contributions, but they refused to answer or denied knowledge
4 of those contributions.) Investigators also discovered that Spears and another Stipe Law Firm
5 employee in Oklahoma contributed \$1,000 each to a congressional candidate in Massachusetts
6 (William Delahunt), and Spears admits she used Stipe's cash to reimburse those contributions. A
7 campaign staff member and employee of Stipe, Anne Prather, also allowed her name to be used
8 to contribute \$1,980 to Roberts with funds she received from Stipe. No findings have been made
9 with respect to these persons. In the ordinary course, this Office would recommend pursuing
10 these persons and fully investigating these many transactions. But given the magnitude of the
11 violations by Stipe, Roberts and Spears, and that the widening scope of the scheme could delay
12 referral, this Office does not recommend pursuing these additional transactions or persons at this
13 time. Accordingly, this Office recommends that the Commission refer the knowing and willful
14 violations by Gene Stipe, Walt Roberts, the Roberts Committee and Charlene Spears to DOJ for
15 possible criminal prosecution. 2 U.S.C. § 437g (a)(5)(C). This Office anticipates that DOJ will
16 investigate this myriad of other persons/transactions.

17 Because of the compelling facts of this case, this Office believes that the Commission
18 should make every effort to ensure that this matter is pursued. Pursuant to federal law, the
19 Attorney General shall report to the Commission any action taken within sixty days after the
20 referral, and every thirty days thereafter until final disposition of the apparent violations.
21 2 U.S.C. § 437g(c). This Office intends to communicate regularly with DOJ about the status of

1 this case.


2
3
4 The Roberts campaign's liability derives from the acts of the candidate, Walt Roberts.

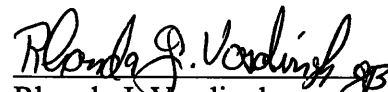
5 There is no evidence that the treasurer of the Roberts Committee was personally involved in
6 any of the transactions at issue in this matter. The Commission's practice has been not to
7 include the treasurer in a committee's knowing and willful findings absent the treasurer's
8 personal involvement in the knowing and willful violations. *See, e.g.*, MUR 4128 (General
9 Counsel's Report dated November 5, 1997, at p. 21, and Commission vote dated December 2,
10 1997) (Commission omits treasurer, who wasn't treasurer at the time of the violations, from the
11 committee's knowing and willful PCTB findings). Thus, this Office did not include Chris Clark
12 in the Roberts Committee findings recommended supra, p. 15. Because only knowing and
13 willful violations are referable to DOJ pursuant to 2 U.S.C. § 437g(a)(5)(C), there would be no
14 basis for the Commission to refer Chris Clark, as treasurer, to DOJ.
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V. RECOMMENDATIONS

1. Find probable cause to believe that Walt Roberts for Congress knowingly and willfully violated 2 U.S.C. §§ 434(b), 441a(f), 441f, and 432(h).
2. Find probable cause to believe that Walt Roberts knowingly and willfully violated 2 U.S.C. §§ 441a(f), 441f, and 432(h).
3. Find probable cause to believe that Gene Stipe and the Stipe Law Firm knowingly and willfully violated 2 U.S.C. §§ 441f and 441a(a)(1)(A).
4. Find probable cause to believe that Charlene Spears knowingly and willfully violated 2 U.S.C. § 441f.
5. Refer these knowing and willful violations to the Department of Justice pursuant to 2 U.S.C. § 437g (a)(5)(C).
6. Approve the appropriate letters.

5/22/02
Date


Lawrence H. Norton
General Counsel


Rhonda J. Vosdinger
Associate General Counsel


Jonathan A. Bernstein
Assistant General Counsel


Margaret Toalson
Attorney

Other Staff Assigned: Julie Obi
Wade Sovonick

Attachments:

1. Reply Brief from Gene Stipe and Stipe Law Firm
2. Reply Brief from Walt Roberts and the Committee
3. Reply Brief from Charlene Spears
4. Reply Brief from Chris Clark, treasurer
5. News Article
6. Letter from counsel for Gene Stipe, dated September 24, 2001
7. Selected documents from the investigative file
8. March 5, 2002 News Articles re Jim Lane prosecution
9. May 2, 2002 News Article re Jim Lane guilty plea

THE DAILY OKLAHOMAN

No Clinton Coat Tails for Him!

4 ..

Monday, September 21, 1998



ATTACHMENT

3

Page

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of

1

THE DAILY OKLAHOMAN March 05, 2002, Tuesday

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THE DAILY OKLAHOMAN

March 05, 2002, Tuesday CITY EDITION

SECTION: NEWS;

LENGTH: 154 words

HEADLINE: Witness list

BODY:

Twenty-six Democratic state lawmakers have been listed as potential defense witnesses at the upcoming trial of former Health Department employee Jim E. Lane.

Representatives on the list are Larry Adair of Stilwell, Randall Erwin of Nashoba, Lloyd Fields of McAlester, Jim Glover of Elgin, Charles Gray of Oklahoma City, Jerry Hefner of Wagoner, Joe Hutchison of Jay, Mike Mass of Hartshorne, Terry Matlock of Garvin, Bob Plunk of Ada and Gary Taylor of Dewey.

Senators listed as witnesses are Bernest Cain of Oklahoma City, Gilmer Capps of Snyder, Enoch Kelly Haney of Seminole, J. Berry Harrison of Fairfax, Maxine Horner of Tulsa, Robert M. Kerr of Altus, Rick Littlefield of Grove, Angela Monson of Oklahoma City, Paul Muegge of Tonkawa, Jeff Rabon of Hugo, Ben Robinson of Muskogee, Herb Rozell of Tahlequah, Frank Shurden of Henryetta, Gene Stipe of McAlester and Stratton Taylor of Claremore.

LOAD-DATE: March 6, 2002

Source:

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Terms:

jim e /3 lane and ok or oklahoma (Edit Search)

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THE DAILY OKLAHOMAN March 05, 2002, Tuesday

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March 05, 2002, Tuesday CITY EDITION

SECTION: NEWS;

LENGTH: 798 words

HEADLINE: 26 lawmakers on witness list for ghost trial Ex-senator claims he lobbied at Capitol

BYLINE: Randy Ellis, Nolan Clay, Staff Writers

BODY:

A former state senator shook up the state Capitol by naming legislators, former legislators, prominent lobbyists and state officials as witnesses for his defense in his fraud trial.

Jim E. Lane, 67, is accused of being a "ghost" employee while at the state Health Department. He is charged with collecting \$ 210,287 in state pay and travel while allegedly doing little or no work.

Defense attorneys plan to claim at trial that he did work - as an unofficial lobbyist for the Health Department. His 99-name witness list - filed Friday - includes 26 Democratic legislators and State Auditor and Inspector Clifton Scott.

Several did not know they had been named.

The defense list said the politicians will testify they had talked or seen the defendant "at various functions" and discussed the Health Department's needs.

"Clif Scott will play thunder doing that. I wouldn't know the man if I saw him," Scott said Monday.

Scott called Lane's attorney, Warren Gotcher, on Monday to get his name removed.

The trial is scheduled for May in Oklahoma County District Court.

Key to the prosecution is evidence Lane was working and traveling for a private company, HCFS Inc., at the same time he was

on the Health Department's payroll.

Prosecutors also may call witnesses to testify Lane chauffeured state Sen. Gene Stipe, D-McAlester, and former U.S. House candidate Walt Roberts instead of working for the Health Department.

At least two witnesses told state investigators they saw Lane escorting Stipe. The senator has said Lane was not his driver.

One prosecution witness, former Wilburton Mayor Danny Baldwin, said he "frequently" saw Lane "chauffeuring Stipe."

A campaign worker said Lane drove Roberts, who ran for the 3rd District seat in 1998.

"Jim E. (Lane) was Roberts' driver during the campaign," Roberts' campaign treasurer, Christopher Clark, said to state agents.

"Jim E. got Roberts up and got him going. Jim E. was with Roberts more than anybody."

Among the key defense witnesses is Lane's boss, fired Deputy Health Commissioner Doyle Carper.

Carper is facing a separate trial on a charge of conspiring to defraud the state. He is accused of allowing Lane and three other "ghost" employees to stay on the payroll.

Defense attorneys said Carper will testify he "regulated the defendant's job assignments and that he had... (Lane) working as a legislative liaison... Further, he had the defendant work as a community consultant in Oklahoma."

Lane, who lives in McAlester, has been recruiting witnesses himself at the Capitol.

Sen. Bernest Cain, D-Oklahoma City, said he apparently wound up on the witness list because he happened to be sitting in the outer part of his Senate office a couple weeks ago. Lane came walking down the hallway.

"He said, 'Senator Cain, you knew I used to work at the Health Department, didn't you?' I said, 'Yeah, I knew that, Jimmie.' He said, 'Well, I may need you as a witness.'... So, I guess that's how my name got on there.

"I don't know what he's got in mind, but that's all I know," Cain said.

Cain was uncertain whether he had been lobbied by Lane.

"I don't remember whether he did or didn't," Cain said. "He probably did. I knew he worked over there."

Defense attorneys said on the list that Cain will "testify that defendant could be effective at the Legislature if they need anything."

Rep. Charles Gray, D-Oklahoma City, said he was surprised to be on the witness list.

"I probably haven't seen Jimmie three or four times in 10 years," Gray said.

Gray confirmed he does remember talking with Lane about Health Department business once - about the time former Health Commissioner Tom Peace died in 1994.

Sen. Frank Shurden, D-Henryetta, joked about the number of lawmakers listed as witnesses.

"He didn't miss very many of us," Shurden said, laughing.

"I'm kind of surprised, in a way," Shurden said of being listed as a potential witness. "I knew he was working for the Health Department."

Shurden said Lane has lobbied him from time to time, but he doesn't remember anything specific about the discussions.

Another listed witness, Rep. Gary Taylor, D-Dewey, recalls talking to Lane about Nowata County's need for a Health Department office.

"I don't know what his function was. All I know was I was interested in a county health department," Taylor said.

Lane, a Democrat, was in the state Legislature for 14 years - as a representative in 1967 and 1968 and as a state senator from 1969 through 1980. He served the last six years as the Senate's majority leader. He represented Idabel.

Lane was hired as an environmental health consultant at the Health Department in 1990. He resigned in May 2000.

LOAD-DATE: March 6, 2002

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THE DAILY OKLAHOMAN May 02, 2002, Thursday

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May 02, 2002, Thursday CITY EDITION

SECTION: NEWS;

LENGTH: 1397 words

HEADLINE: Former 'ghost' worker receives prison sentence Ex-Senate majority leader given 5-year term

BYLINE: Randy Ellis, Nolan Clay, Staff Writers

BODY:

Former state Senate Majority Leader Jim E. Lane pleaded guilty Wednesday to conspiring to defraud the state while employed by the Oklahoma Health Department.

Under a negotiated plea agreement, Lane will be sentenced to five years in prison and must pay the state \$ 105,000 in restitution. He is the first of the so-called "ghost" employees whose punishment includes a prison stay.

"He set a bad example at the Health Department," Attorney General Drew Edmondson said. "Because of his profile, other workers looked at him and what he was doing. And, because he set a bad example at the Health Department, we felt that an example needed to be made in his case." Lane agreed to spend five more years on probation after leaving prison. He will forfeit his state pension, including the portion of his pension earned while he was a legislator, Edmondson said.

Lane stood glumly during his brief plea before District Judge Ray C. Elliott, who accepted the deal after talking with prosecutors and Lane's defense attorney.

Lane's formal sentencing was delayed to June 3 to give him time to gather \$ 25,000 to be paid toward his restitution. He is to pay the rest after his release.

Lane, of McAlester, was among the best known of the 14 former Health Department employees indicted by a state grand jury that investigated "ghost" employment at the state agency. He turns 68 on

Sunday.

"Ghosts" were described as employees who were on the payroll but did little or no actual work.

His wife, Rebecca Lane, 47, is still awaiting trial on a separate charge accusing her of collecting state pay for work she didn't do.

Lane admitted in his guilty plea to the felony charge that he submitted false travel claims. Prosecutors considered their case against him strong because he was working and traveling for a private company at the same time he was at the Health Department. He resigned his state job in May 2000.

"I filed travel claims with the state of Oklahoma between 1997 and 2000," Lane wrote the judge. "The claims were in part or all false. I knew that claims should be accurate and truthful."

Lane originally was indicted on 74 felony counts - 67 counts of filing fraudulent travel claims with the state and seven counts of collecting pay he did not earn. He was accused in the indictment of illegally collecting \$ 210,287 overall.

Edmondson said the \$ 105,000 in restitution was a compromise worked out among attorneys.

Warren Gotcher, Lane's attorney, argued that his client had worked "some hours" on some of the days for which he was paid, Edmondson said.

In addition to the \$ 105,000 in restitution, the state will "save much more than that" by not having to pay his pension, the attorney general said.

Lane declined comment as he left the courtroom.

The plea agreement eliminated the need for what was expected to be a dramatic trial. Jury selection was to have begun Monday.

State prosecutors had lined up dozens of witnesses in an attempt to prove Lane was a politically connected "ghost" employee who submitted bogus travel claims and time sheets while ostensibly working as an environmental health consultant.

Among the prosecution witnesses was an alleged former mistress,

who said she took trips with Lane.

Meanwhile, Lane's attorney had announced his intention to call 23 Democratic state legislators as witnesses in an effort to prove Lane was really working as an unofficial lobbyist for the Health Department.

The trial had the potential for political embarrassment because Lane had many close relationships with Democratic lawmakers. Lane, for example, had subleased an Oklahoma City house from Rep. Randall Erwin of Nashoba and Rep. Mike Mass of Hartshorne.

Mass is running for Congress. Both he and Erwin were listed among witnesses.

The anticipated trial was expected to be a major inconvenience for legislators because it was scheduled to take place during the closing weeks of this year's legislative session.

Edmondson said none of the lawmakers on Lane's witness list called him in an attempt to intervene on Lane's behalf.

At Lane's preliminary hearing, prosecution witnesses testified that Lane was working and collecting pay for travel expenses from HCFS Inc., a Dallas-based private health care company, at the same time he was collecting pay and travel reimbursements from the state.

Lane submitted travel claims to the state that said he was providing "technical support to administrators," but numerous Health Department county administrators testified Lane never came to their offices.

Lane, a Democrat, was in the state Legislature for 14 years. He represented Idabel as a state representative in 1967 and 1968, and served as a senator from 1969 through 1980. He served the last six of those years as the Senate's majority leader.

He worked for the Health Department for 10 years.

Other cases are still pending.

"We have very serious cases remaining against Doyle Carper and Brent VanMeter, and we're taking those cases very seriously," Edmondson said.

Carper is a former deputy health commissioner accused of

knowingly signing false time reports as a supervisor of four "ghost" employees.

VanMeter is a former deputy health commissioner accused of conspiring to defraud the state. VanMeter was sentenced in December 2000 to three years in federal prison for soliciting a bribe.

Here is a list of the other former state Health Department employees who have been punished in court since the scandal became public two years ago today.

Jerry Raymond Nida

Dr. Nida, a retired commissioner, was sentenced in October to 240 hours of community service at medical clinics for the underprivileged and elderly. He agreed to be on probation for three years.

He pleaded guilty to a conspiracy to defraud the state. He admitted approving a deputy commissioner's time sheets even though he knew the documents were not accurate.

Brent Eugene VanMeter

VanMeter, a fired deputy commissioner, was sentenced in December 2000 to three years in federal prison for seeking a bribe from a nursing home owner. He was fined \$ 50,000. He is awaiting trial on other charges.

Steven R. Childress

The former county administrator was indicted and pleaded guilty in April 2001 to a misdemeanor violation of his public duty.

Childress, of Ada, agreed to pay \$ 3,500 in restitution for overstating his state travel. He was given a one-year suspended sentence.

Frederick Joe Pierce

Pierce, a fired regional health consultant from Talihina, was placed on probation for one year and paid \$ 22,359.82 in restitution

after admitting he was a "ghost" employee. He pleaded guilty in January to 11 counts of obtaining state pay by false pretense.

George Dowell

The former administrator for Le Flore, Haskell and Latimer counties was given a one-year suspended sentence in December and ordered to perform 150 hours of community service.

He pleaded guilty to a misdemeanor violation of his public duty. He was accused of helping four "ghost" employees get paychecks.

Makala Sue Bannister

The former health worker paid back \$ 14,900 in restitution and was ordered to perform 300 hours of community service at a dental clinic for the underprivileged. She was put on probation in October for three years.

She pleaded guilty to collecting state pay even though she was actually a University of Oklahoma dental student.

Jamie Lynn Pirrong

The fired "ghost" employee was given a one-year suspended sentence in October and ordered to pay \$ 4,075.44 in restitution.

Pirrong, of Newalla, pleaded guilty to a misdemeanor charge of willful neglect of duty by a public officer.

Karen "Suzie" Carper

The former health worker pleaded no contest in April to a misdemeanor charge for using a state-issued cell phone to make repeated personal calls.

She received a one-year deferred sentence and agreed to pay \$ 350 in restitution for the nearly 400 personal calls she made.

James Walker

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The former supervisor was sentenced in November to two years unsupervised probation and ordered to perform 100 hours of community service.

Walker, of Chickasha, pleaded guilty to a misdemeanor charge of willful neglect of duty by a state officer.

GRAPHIC: Former state Health Department employee Jim E. Lane, right, looks over paperwork with his attorney,

Warren Gotcher, in court before pleading guilty Wednesday. - STAFF PHOTO BY STEVE GOOCH

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Attachment 9
Page 6 of 8

The Associated Press State & Local Wire May 1, 2002

The Associated Press State & Local Wire

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May 1, 2002, Wednesday, BC cycle

SECTION: State and Regional

LENGTH: 208 words

HEADLINE: Lane pleads guilty to conspiracy charge in health scandal

DATELINE: OKLAHOMA CITY

BODY:

Former state Senator Jim E. Lane pleaded guilty Wednesday to a conspiracy charge stemming from the state Health Department scandal.

Lane, 67, was one of the so-called "ghost employees" at the health agency, who were accused of receiving pay and benefits from the state for work not performed. Prosecutors are recommending that Lane be sentenced to 10 years, with half of the prison sentence suspended.

Formal sentencing is set for June 3 before Oklahoma County District Judge Ray Elliott.

"It is unusual for a first-time, nonviolent offender to be sentenced to prison, but this was an unusual case," said

Attorney General Drew Edmondson. "The example he set within the Health Department made it imperative that his sentence set an example as well."

Lane was indicted in January on 67 counts of making false or fictitious or fraudulent claims and seven counts of obtaining money by false pretenses.

In addition to the prison time, the attorney general is recommending that Lane be required to make restitution of \$105,000 to the state, pay court costs and forfeit his state and legislative retirement.

Attachment 9
Page 7 of 8

24-04-403-1157

He is one of 14 former health agency employees indicted by a multicounty grand jury in connection with the scandal.

LOAD-DATE: May 2, 2002

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